

Part-II

Chapter II

Functioning of State Public Sector Undertakings (*Excluding State Public Sector Undertakings of Power Sector*)

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Introduction

2.1 The State has 91 State Public Sector Undertakings (SPSUs) as on 31 March 2018. Of this, 11 SPSUs are in Power Sector and remaining 80 SPSUs are engaged in activities other than Power Sector. The functioning of 11 SPSUs under Power Sector is discussed in Chapter I of Part I. These 80 SPSUs include 76 State Government Companies¹ (SGCs) and four² Statutory Corporations for undertaking different activities. Of these, four³ SPSUs are listed on stock exchange(s). The SPSUs include 18 inactive SGCs and 22 subsidiary/ joint venture Companies of other Government Companies. During 2017-18, four⁴ active SPSUs were classified as inactive SPSUs as they had ceased their operations. One SPSU⁵ came under the purview of the Comptroller and Auditor General of India (C&AG) under Section 139(5) of the Companies Act, 2013. Further, the name of one⁶ SPSU was struck off from the register, by the Registrar of Companies under Section 560 of the Companies Act, 2013. The details of SPSUs of Government of Gujarat (GoG) as on 31 March 2018 are given in **Table 2.1** below.

Table 2.1: Total number of SPSUs as on 31 March 2018

Type of SPSUs	Active SPSUs	Inactive SPSUs ⁷	Total
Government Companies	58	18	76
Statutory Corporations	4	--	4
Total	62	18	80

Source: Compiled based on latest finalised financial statements received from SPSUs until September 2018.

GoG periodically provides financial support to SPSUs in the form of equity, loans and grants/ subsidy. Of the 80 SPSUs, GoG invested funds in 58 SPSUs and no funds were invested in remaining 22 SPSUs that were subsidiary/ joint venture companies of other Government Companies. The respective joint

¹ Includes Other Companies referred in Section 139(5) and 139(7) of the Companies Act, 2013.

² Gujarat State Warehousing Corporation, Gujarat State Financial Corporation, Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation.

³ Gujarat Gas Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited and Gujarat State Financial Corporation.

⁴ Infrastructure Finance Company Gujarat Limited, Gujarat State Rural Development Corporation Limited, Gujarat Foundation for Mental Health and Allied Services and BISAG Satellite Communication.

⁵ Diamond Research and Mercantile City Limited was incorporated in July 2015 had finalised its financial statements for the year up to 2017-18, the supplementary audit of which was entrusted (October 2018) from the year 2018-19.

⁶ Gujarat State Mining and Resources Corporation Limited.

⁷ Inactive SPSUs are those, which have ceased to carry on their operations.

venture/ Holding Companies contributed to the equity of these 22 joint venture/ subsidiary Companies.

Contribution to Economy of the State

2.2 The ratio of turnover of the SPSUs to the Gross State Domestic Product⁸ (GSDP) shows the extent of activities of the SPSUs in the State Economy. The **Table 2.2** below provides the details of turnover of SPSUs and GSDP of Gujarat for five years ending March 2018:

Table 2.2: Details of active SPSUs turnover vis-à-vis GSDP

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover (₹ in crore)	30,653.79	32,281.76	28,920.56	27,903.73	31,282.40
Percentage change in turnover	5.87	5.31	(-)10.41	(-)3.52	12.11
GSDP (₹ in crore)	8,07,623	9,21,773	10,25,188(P)	11,58,151(Q)	13,20,167(A)
Percentage change in GSDP	11.47	14.13	11.22	12.97	13.99
Percentage of Turnover to State GDP	3.79	3.50	2.82	2.40	2.38

Estimate: (P) = Provisional, (Q) = Quick Estimate and (A) = Actual.

Source: Compiled based on turnover reported by SPSUs in the financial statements finalised in respective years and Statement under Gujarat Fiscal Responsibility Act, 2005 (Budget Publication No. 30 of 2018-19).

The turnover of SPSUs had recorded variations over previous years. The variation in turnover ranged between (-) 10.41 and 12.11 *per cent* during the period from 2013 to 2018, whereas increase in GSDP of the State ranged between 11.22 and 14.13 *per cent* during the same period. The Compounded Annual Growth Rate (CAGR) of GSDP was 12.76 *per cent* during last five years. CAGR is a useful method to measure growth rate over multiple time-periods. Against the CAGR of 12.76 *per cent* of the GSDP, the turnover of SPSUs recorded lower CAGR of 1.87 *per cent* during the last five years. This resulted in decrease in their turnover share to GSDP from 3.79 *per cent* in 2013-14 to 2.38 *per cent* in 2017-18. Out of the total turnover of ₹ 31,282.40 crore, ₹ 23,898.80 crore pertains to 25 active SPSUs which finalised the financial statements for the year 2017-18. In respect of remaining 24 active SPSUs, the turnover of ₹ 7,383.60 crore was taken as per financial statements finalised for previous years.

Investment in SPSUs

2.3 The SPSUs function as instruments of GoG to provide certain services, which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through SPSUs which function in a competitive environment with private

⁸ As per Statements prepared under the Gujarat Fiscal Responsibility Act, 2005, Budget Publication No. 30.

⁹ Turnover of active SPSUs as per the latest finalised financial statements received up to 30 September 2018.

sector undertakings. In view of the above, the SPSUs have been analysed under two major classifications viz., those in the social sector and those functioning in competitive environment. SPSUs incorporated to perform some specific activities on behalf of GoG have been categorised under “Others”. Details of investment made in 80 SPSUs in the form of equity and long-term loans up to 31 March 2018 are detailed in **Annexure 3**.

2.4 The sector wise summary of investment in SPSUs as on 31 March 2018 is given in **Table 2.3** below:

Table 2.3: Sector wise investment in SPSUs

Sector	Number of SPSUs	Investment (₹ in crore)		
		Equity	Long-term loans	Total
Social	27	2,715.71	973.21	3,688.92
Competitive	39	6,056.55	22,394.67	28,451.22
Others	14	61,224.49	6,152.97	67,377.46
Total	80	69,996.75	29,520.85	99,517.60

Source: Compiled based on information received from SPSUs.

As on 31 March 2018, the total investment (equity and long-term loans) in the 80 SPSUs was ₹ 99,517.60 crore. The investment consisted of 70.34 *per cent* of equity and 29.66 *per cent* of long-term loans. The long-term loans advanced by the GoG and Government of India (GoI) constituted 16.91 *per cent* (₹ 4,993.06 crore) and 0.36 *per cent* (₹ 105.54 crore) respectively of the total long-term loans whereas 82.73 *per cent* (₹ 24,422.25 crore) of the long-term loans were availed from other financial institutions¹⁰.

The investment has grown by 36.91 *per cent* from ₹ 72,688.20 crore in 2013-14 to ₹ 99,517.60 crore in 2017-18. The increase in investment was due to infusion of fresh equity of ₹ 22,863.56 crore and raising of long-term loans of ₹ 3,965.84 crore during the period.

Disinvestment, Restructuring and Privatisation of SPSUs

2.5 No disinvestment, restructuring, and privatisation of the SPSUs took place during the year ended 31 March 2018.

Budgetary support to SPSUs

2.6 GoG provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, guarantee issued and guarantee commitment outstanding in respect of active SPSUs for the last three years ending March 2018 are given in **Table 2.4** below:

¹⁰ Banks, Gujarat State Financial Services Limited, Financial Institutions.

Table 2.4: Details of budgetary support to SPSUs

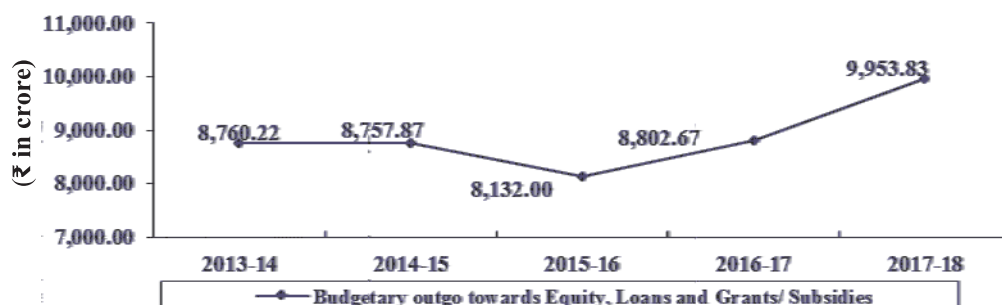
(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	06	4,645.59	08	5,017.12	12	5,853.64
2.	Loans given from budget	03	362.50	04	194.69	09	165.20
3.	Grants/ Subsidy from budget	14	3,123.91	17	3,590.86	20	3,934.99
4.	Total Outgo (1+2+3)	-	8,132.00	-	8,802.67	-	9,953.83
5.	Guarantees issued during the year	01	536.00	-	-	01	120.50
6.	Guarantee Commitment outstanding at the end of the year	04	1,235.09	03	234.28	04	201.52

Source: Compiled based on information received from SPSUs.

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in **Chart 2.1**:

Chart 2.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Source: Compiled based on information received from SPSUs.

The annual budgetary assistance to these active SPSUs ranged between ₹ 8,132.00 crore and ₹ 9,953.83 crore during the period from 2013-14 to 2017-18. The budgetary assistance of ₹ 9,953.83 crore provided during 2017-18 included loans, grants/ subsidy and equity of ₹ 165.20 crore, ₹ 3,934.99 crore and ₹ 5,853.64 crore respectively. Sardar Sarovar Narmada Nigam Limited received the major share of equity funds (₹ 4,720.79 crore) from the budgetary outgo for acquisition of capital assets.

In order to provide financial assistance to SPSUs from Banks and Financial Institutions, GoG gives guarantee under Gujarat State Guarantee Act, 1963. Such guarantees are given subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 to one *per cent per annum* as decided (31 December 1988) by GoG depending upon the loanees. The guarantee commitment decreased from ₹ 234.28 crore during 2016-17 to ₹ 201.52 crore during 2017-18. Sardar Sarovar Narmada Nigam Limited vacated the guarantee of ₹ 122.15 crore and Gujarat State Petroleum Corporation Limited received guarantee commitment of ₹ 120.50 crore. Further, two SPSUs¹¹ paid guarantee fee of ₹ 2.90 crore during 2017-18.

¹¹ Gujarat State Petroleum Corporation Limited (₹ 2.41 crore) and Sardar Sarovar Narmada Nigam Limited (₹ 0.49 crore).

Reconciliation with Finance Accounts of Government of Gujarat

2.7 The figures in respect of equity, loans and guarantees outstanding as per the records of SPSUs should agree with the corresponding figures appearing in the Finance Accounts of GoG. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is given in **Table 2.5** below:

Table 2.5: Equity, loans, guarantees outstanding as per Finance Accounts of GoG vis-à-vis records of SPSUs

(₹ in crore)				
Outstanding in respect of	Number of SPSUs	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	41	62,192.08	64,431.06	2,238.98
Loans	21	4,153.34 ¹²	4,993.06	839.72
Guarantees	16	2,946.20	201.52	2,744.68

Source: Compiled based on information received from SPSUs and Finance Accounts.

Audit observed that such differences occurred in respect of 44 SPSUs¹³ as detailed in **Annexure 4**¹⁴. The differences between the figures are persisting since prior to 2003-04. The issue of reconciliation of differences was taken up by the Principal Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad regularly, the latest being in January 2019 with the SPSUs/ Departments to reconcile the differences. Major differences were observed in Gujarat State Petroleum Corporation Limited, Sardar Sarovar Narmada Nigam Limited, Gujarat Metro Rail Corporation Limited (formerly known as Metro-link Express for Gandhinagar and Ahmedabad Company Limited), GSPC LNG Limited, Dholera Industrial City Development Limited and Gujarat State Road Transport Corporation.

Submission of financial statements by SPSUs

2.8.1 Out of 80 SPSUs, there were 62 active SPSUs other than those in the Power sector *i.e.* 58 active Companies and four Statutory Corporations and 18 inactive Companies under the audit jurisdiction of C&AG as of 31 March 2018. **Table 2.6** indicates the position relating to submission of financial statements as on 30 September 2018.

¹² The SPSU wise information of loans is not available in Finance Accounts therefore the above balance may include loan to SPSUs of Power sector.

¹³ This represents SPSUs in which GoG has given budgetary support towards equity, loans and grants/subsidies and such SPSUs are under the audit jurisdiction of C&AG.

¹⁴ SPSU wise loan amount outstanding is not available in Finance Accounts therefore the same is not reflected in the **Annexure 4**.

Table 2.6: Position relating to submission of financial statements of active SPSUs

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of active SPSUs/ other companies	61	57	61	66	62 ¹⁵
2.	Number of financial statements submitted during the year	54	45	59	63	63
3.	Number of active SPSUs, which submitted financial statements for current year	30	23 ¹⁶	25 ¹⁷	24 ¹⁸	24 ¹⁹
4.	Number of previous year financial statements finalised during current year	24	20	28	34	34 ²⁰
5.	Number of financial statements in arrears	48	58	62	73	58 ²¹
6.	Number of active SPSUs with arrears in financial statements	31	34	35	40 ²²	37
7.	Extent of arrears (Numbers in years)	1 to 4	1 to 5	1 to 6	1 to 6	1 to 4

Source: Compiled based on financial statements of active SPSUs received during the period October 2017 to September 2018.

Of the total 62 active SPSUs, 52 active SPSUs had finalised their 63 financial statements, of which 29 financial statements pertained to 2017-18 and remaining 34 financial statements pertained to previous years. Thirty-seven SPSUs had 58 financial statements in arrears, which ranged between one and four years as detailed in **Annexure 5**. Out of 52 active SPSUs, which finalised the financial statements during 2017-18, 15 SPSUs prepared 21 financial statements (including six²³ consolidated financial statements) as per Indian Accounting Standards.

The Administrative Departments have the responsibility of overseeing the activities of these SPSUs to ensure that the financial statements are finalised and adopted by the SPSUs within the stipulated period. The concerned departments were informed on a quarterly basis regarding arrears of financial statements. In addition, the matter was taken up (April 2019) with GoG for liquidating the arrears of financial statements. However, no significant improvement has been noticed in submission of financial statements for audit.

GoG invested ₹ 9,585.68 crore in 20 active SPSUs {equity: ₹ 6,196.97 crore (9 SPSUs), loans ₹ 99.95 crore (6 SPSUs) and grants ₹ 3,288.76 crore (16 SPSUs)} during the last three years for which financial statements have not been finalised as detailed in **Annexure 5**. Due to non-finalisation of financial statements and their subsequent audit, proper accounting of

¹⁵ Four SPSUs were classified as Inactive SPSUs during the year and one active SPSU viz. Diamond Research and Mercantile City Limited is included as it submitted financial statement for 2017-18.

¹⁶ These 23 SPSUs finalised 25 FSs of 2014-15 that included two consolidated FSs.

¹⁷ These 25 SPSUs finalised 31 FSs of 2015-16 that included six consolidated FSs.

¹⁸ These 24 SPSUs finalised 29 FSs of 2016-17 that included five consolidated FSs.

¹⁹ These 24 SPSUs finalised 29 FSs of 2017-18 that included five consolidated FSs. One SPSU viz. Diamond Research and Mercantile City Limited finalised its FS for 2017-18 but it is not included as its supplementary audit was entrusted from the year 2018-19.

²⁰ This includes one consolidated financial statement of 2016-17.

²¹ This includes one consolidated financial statement of 2017-18.

²² Excluding Gandhinagar Railway and Urban Development Corporation Limited and Gandhinagar Rail Infrastructure Development Corporation Limited whose first financial statements were not due.

²³ Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited, Gujarat State Petroleum Corporation Limited, Gujarat Gas Limited, Gujarat State Investments Limited and Gujarat Industrial Investment Corporation Limited.

investments and expenditure incurred could not be ensured and the investment of GoG in such SPSUs remained outside the control of the State Legislature.

Timeliness in preparation of financial statements by inactive SPSUs

2.8.2 In addition to the above active SPSUs, as on 30 September 2018, there were arrears in finalisation of financial statements by nine inactive SPSUs as given in **Table 2.7** below.

Table 2.7: Arrears of financial statements of nine inactive SPSUs

Number of inactive SPSUs	Period for which financial statements were in arrears	Number of years for which financial statements were in arrears
1 ²⁴	1999-00 to 2017-18	19
2 ²⁵	2011-12 to 2017-18	7
1 ²⁶	2012-13 to 2017-18	6
2 ²⁷	2015-16 to 2017-18	3
1 ²⁸	2016-17 to 2017-18	2
2 ²⁹	2017-18	1

Source: Compiled based on financial statements of inactive SPSUs received during the period October 2017 to September 2018.

Out of 18 inactive SPSUs, eight³⁰ SPSUs were in the process of liquidation that had financial statements in arrears for one to 23 years. Of the remaining ten inactive SPSUs, Gujarat Dairy Development Corporation Limited had finalised its financial statements up to 2017-18.

Placement of Separate Audit Reports of Statutory Corporations

2.9 Separate Audit Reports (SARs) are audit reports of the C&AG on the financial statements of Statutory Corporations. These reports are required to be placed before the Legislature as per the provisions of the respective Acts.

The status of placement of SARs issued by the C&AG (up to 31 July 2019) on the financial statements of Statutory Corporations in the Legislature is given in **Table 2.8** below.

²⁴ Gujarat Fisheries Development Corporation Limited.

²⁵ Infrastructure Finance Company Gujarat Limited and Gujarat Foundation for Mental Health and Allied Services.

²⁶ Naini Coal Company Limited.

²⁷ Gujarat State Rural Development Corporation Limited and BISAG Satellite Communication.

²⁸ Gujarat State Construction Corporation Limited.

²⁹ Gujarat State Machine Tools Corporation Limited and Gujarat Trans Receivers Limited.

³⁰ Gujarat Small Industries Corporation Limited, Gujarat Leather Industries Limited, GSFS Capital and Securities Limited, Gujarat State Textile Corporation Limited, Gujarat Communications and Electronics Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

Table 2.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs are placed in Legislature		Year for which SARs are yet to be placed in Legislature	
		Year of SAR	Date of Placement	Year of SAR	Date of issue to the Government/ Present Status
1.	Gujarat State Warehousing Corporation	2012-13	21 March 2017	2013-14 2014-15	09 May 2016 04 August 2017
2.	Gujarat State Financial Corporation	2016-17	01 March 2018	2017-18	31 October 2018
3.	Gujarat Industrial Development Corporation	2016-17	19 September 2018	2017-18	Draft SAR under finalisation
4.	Gujarat State Road Transport Corporation	2014-15	9 July 2019	2015-16	15 February 2019

Source: Compiled based on information received from respective Statutory Corporation.

Impact of non-finalisation of financial statements of SPSUs

2.10 As discussed in **Paragraph 2.8**, the delay in finalisation of financial statements may result in risk of fraud and leakage of public money apart from violation of the provisions of relevant statutes. In view of the arrears in finalisation of financial statements as above, the actual contribution of SPSUs to GSDP for the year 2017-18 could not be ascertained and their performance could not be reported to the State Legislature.

It is therefore, recommended that the Government may monitor the clearance of arrears in finalisation of financial statements.

Similar recommendation had been made in the Audit Report (PSU), GoG for the year 2015-16 and 2016-17. No significant improvement, however, has been noticed in this regard (October 2018) though number of financial statements in arrear decreased from 73 to 58 at the end of September 2018. The reduction is due to re-classification of four active SPSUs having 16 financial statements in arrear (previous year) into inactive SPSUs and removal of one closed SPSU with three financial statements in arrears (previous year).

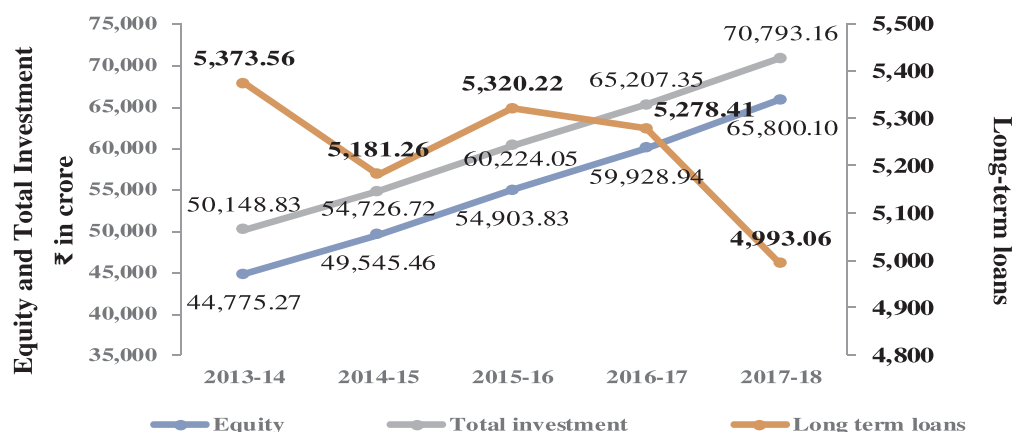
Performance of SPSUs

2.11 The financial position and working results of active SPSUs are detailed in **Annexure 6** as per their latest finalised financial statements as of 30 September 2018.

The SPSUs are expected to yield reasonable return on the investment of GoG. The total investment of GoG and others in the SPSUs was ₹ 99,517.60 crore consisting of equity of ₹ 69,996.75 crore and long-term loans of ₹ 29,520.85 crore. Out of this, GoG has investment of ₹ 70,793.16 crore in 57 SPSUs with equity of ₹ 65,800.10 crore and long-term loans of ₹ 4,993.06 crore (**Annexure 3**).

The year-wise investment of GoG in the SPSUs during the period from 2013-14 to 2017-18 is given in **Chart 2.2** below:

Chart 2.2: Total investment in SPSUs



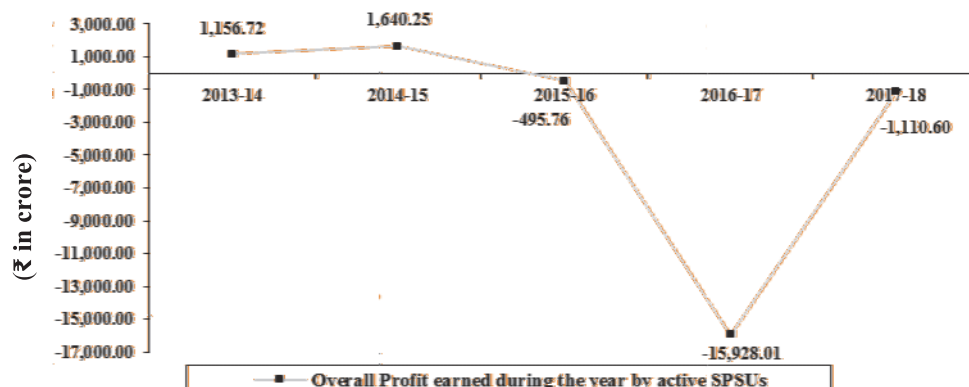
Source: Compiled based on information received from SPSUs.

The profitability of a Company is traditionally assessed through return on investment and return on capital employed. Return on investment measures profit or loss earned/ incurred in a year relating to the amount of money invested in the form of equity and long-term loans and is expressed as a percentage of net profit to total investment. Return on capital employed is a financial ratio that measures the Company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on investment

2.12 The Return on investment is the percentage of profit/ loss after tax to the total investment. The overall position of profit/ losses³¹ earned/ incurred by the active SPSUs during the period from 2013-14 to 2017-18 are given in the **Chart 2.3** below.

Chart 2.3: Profit/Loss after tax of active SPSUs



Source: Compiled based on latest finalised financial statements received from SPSUs.

³¹ Figures as per latest finalised financial statements of the respective years.

As per their latest finalised financial statements, out of 62 active SPSUs, 38 SPSUs earned profit after tax of ₹ 2,180.01 crore and 20 SPSUs incurred loss of ₹ 3,290.61 crore. Of the four SPSUs which neither reported profits or losses, two SPSUs³² have not finalised their first financial statements, one SPSU³³ excess of expenditure over income was adjusted against capital reserve and non-plan grants and one³⁴ Company's excess of expenditure over income was transferred to works completed.

Net profit of ₹ 167.63 crore was contributed by two³⁵ SPSUs which functioned in finance and asset management sector that were not open to market competition. This constituted 7.69 per cent of total profit of ₹ 2,180.01 crore in all 38 SPSUs during 2017-18. RoE of these two SPSUs in 2017-18 was 5.97 per cent as compared to 11.97 per cent in 36 SPSUs functioning in competitive environment.

The major contributors to the profit were:

- Gujarat State Petronet Limited (₹ 668.43 crore),
- Gujarat Mineral Development Corporation Limited (₹ 434.60 crore),
- Gujarat Industrial Development Corporation (₹ 293.38 crore),
- Gujarat Gas Limited (₹ 291.36 crore).

Losses were incurred by:

- Gujarat State Petroleum Corporation Limited (₹ 1,564.64 crore),
- Sardar Sarovar Narmada Nigam Limited (₹ 1,075.80 crore),
- Gujarat State Road Transport Corporation (₹ 253.89 crore),
- Gujarat Water Infrastructure Limited (₹ 137.55 crore).

Of the 62 active SPSUs, the active SPSUs which earned/ incurred profit/ loss³⁶ during 2013-14 to 2017-18 is given in **Table 2.9** below:

Table 2.9: Active SPSUs that earned/ incurred profit/ loss

Financial year	Number of SPSUs during the year			
	Total	Earned profits	Incurred loss	Others ³⁷
2013-14	61	38	17	6
2014-15	57	41	10	6
2015-16	61	39	13	9
2016-17	66	44	13	9
2017-18	62	38	20	4

³² Gandhinagar Railway and Urban Development Corporation Limited and Gujarat Rail Infrastructure Development Corporation Limited.

³³ Gujarat Women Economic Development Corporation Limited.

³⁴ Gujarat State Police Housing Corporation Limited.

³⁵ Gujarat State Investments Limited- ₹ 72.82 crore and Gujarat State Financial Services Limited- ₹ 94.81 crore

³⁶ Figures as per latest finalised financial statements of the respective years.

³⁷ Includes SPSUs that had not commenced commercial operations; not finalised its first financial Statements, did not report profit or loss and SPSUs whose excess of income/ expenses was adjusted against grants.

(a) Return on historical cost of investment

2.13 Out of the 80 SPSUs, GoG infused funds in the form of equity, long-term loans, grants and subsidies in 58 SPSUs³⁸. Of these 58 SPSUs, in Gujarat Industrial Development Corporation, GoG has provided funds in form of grants and subsidies and no equity/ long-term loan is infused. Hence, in remaining 57 SPSUs, GoG has invested ₹ 70,793.16 crore comprising of equity of ₹ 65,800.10 crore and long-term loans of ₹ 4,993.06 crore.

The Return on investment from the PSUs has been calculated on the investment made by the GoG in the PSUs in the form of equity and loans. In the case of loans, only interest free loans (IFLs) are considered as investment since the GoG does not receive any interest on such loans and are therefore of the nature of equity investment by GoG except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of GoG in these 58 other than Power Sector SPSUs has been arrived at by considering the equity and the IFLs and in cases where IFLs and in cases where IFLs have been repaid by the SPSUs, the value of investment based on historic cost and present value (PV) was calculated on the reduced balance of IFLs over the period as detailed in **Table 2.10**. The funds made available in the forms of the grants/ subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

Out of the released long-term loans of ₹ 4,993.06 crore in 57 SPSUs, IFLs of ₹ 1,363.80 crore were released to 56 SPSUs³⁹ based on the reduced balances over the period. Thus, the total investment of GoG in these 56 SPSUs based on historical cost was ₹ 67,163.90 crore (₹ 65,800.10 crore plus ₹ 1,363.80 crore).

The return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is given in **Table 2.10** below:

³⁸ The SPSUs where no Equity/ Long-term loan is infused (as shown in **Annexure 3**) by GoG are excluded.

³⁹ Excludes one SPSU viz., Gujarat Leather Industries Limited (under liquidation) that received loan of ₹ 2.06 crore but no equity from GoG. As the information related to the said loan being interest bearing/ interest free was not available therefore the SPSU is excluded.

Table 2.10 Return on GoG investment at historical cost

(₹ in crore)

Year wise Sector wise break up	Total earnings/ (loss) for the year	Investment of GoG in Equity and IFLs at historical cost	Return on GoG investment at historical cost (in per cent) $4=(2\div3)\times100$
1	2	3	
2013-14			
Social Sector	40.30	1,292.33	3.12
Competitive Sector	552.89	2,124.57	26.02
Others	3.37	42,055.52	0.01
Total	596.56	45,472.42	1.31
2014-15			
Social Sector	90.30	1,605.49	5.62
Competitive Sector	671.38	2,665.01	25.19
Others	(306.12)	46,364.64	(0.66)
Total	455.56	50,635.14	0.90
2015-16			
Social Sector	117.22	2,064.34	5.68
Competitive Sector	(720.03)	3,029.44	(23.77)
Others	(903.37)	50,529.56	(1.79)
Total	(1,506.18)	55,623.34	(2.71)
2016-17			
Social Sector	115.94	2,246.46	5.16
Competitive Sector	(16,069.43)	3,560.54	(451.32)
Others	(1,009.71)	55,462.00	(1.82)
Total	(16,963.20)	61,269.00	(27.69)
2017-18			
Social Sector	(24.46)	2,566.06	(0.95)
Competitive Sector	(1,149.94)	4,134.37	(27.81)
Others	(993.01)	60,463.47	(1.64)
Total	(2,167.41)	67,163.90	(3.23)

Source: Figures in column 2 is as per latest finalised financial statement and figure in column 3 is as per information received from SPSUs for respective years.

The return on GoG investment is worked out by dividing the total earnings⁴⁰ of these SPSUs by the cost of GoG investments. The return earned on GoG investment ranged between (-) 27.69 per cent and 1.31 per cent during the period from 2013-14 to 2017-18. The return on GoG investment deteriorated during 2016-17 due to exceptional loss of ₹ 17,061.20 crore⁴¹ incurred by Gujarat State Petroleum Corporation Limited which resulted in reduction in return on GoG investment in competitive sector from 26.02 per cent in 2013-14 to (-) 451.32 per cent in 2016-17.

(b) Return on present value of investment

2.14 An analysis of the earnings *vis-à-vis* investments in 56 SPSUs where funds had been invested by GoG was conducted to assess the profitability of the SPSUs. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the

⁴⁰ This includes net profit after tax/ losses for the concerned year relating to those SPSUs where the investments have been made by the GoG.

⁴¹ GSPC Limited booked impairment loss of ₹ 14,923.54 crore on 80 per cent Participating Interest and 10 per cent in KG-OSN-2001/ 3 Block (KG Block).

investment since such calculations ignore the present value (PV) of money. Therefore, in addition to the calculation of return on investment of GoG in the 56 SPSUs on historical cost basis, the return on investment has also been calculated after considering the PV of money. PV of GoG investment was computed where funds had been infused by GoG as equity and interest free loan since inception of these SPSUs until 31 March 2018. During the period from 2013-14 to 2017-18, these 56 SPSUs had an overall positive return on investment during the year 2013-14 and 2014-15. The return on investment for these two years have, therefore, been calculated and depicted based on PV.

The PV of GoG investment in these undertakings was computed on the following assumptions:

- IFLs have been considered as fund infusion by GoG. However, in case of repayment of loans by SPSUs, the PV was calculated on the reduced balances of IFLs over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in **Paragraph 2.6**.
- The average rate of interest on GoG borrowings for the concerned financial year⁴² was adopted as compounded rate for arriving at PV since they represent the cost incurred by the GoG towards investment of funds for the year.

For the years 2015-16, 2016-17 and 2017-18 when these 56 SPSUs overall had a negative return on investment due to losses incurred by five SPSUs⁴³, a more appropriate measure of performance is erosion of net worth due to losses. The erosion of net worth is commented in **Paragraph 2.17**.

2.15 The SPSU wise position of GoG investment in 56 SPSUs in the form of equity and loans on historical cost basis for the period from 2004-05 to 2017-18 is indicated in **Annexure 7**⁴⁴. Further, consolidated position of PV of GoG investment relating to these SPSUs for the same period is indicated in **Table 2.11** below:

⁴² The average rate of interest on GoG borrowings was adopted from the Reports of the C&AG of India on State Finances (GoG) for the concerned year. The calculation for the average rate for interest paid = Interest Payment ÷ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) ÷ 2] × 100.

⁴³ Gujarat State Petroleum Corporation Limited, Gujarat State Financial Corporation, Gujarat State Road Transport Corporation, Gujarat Water Infrastructure Limited, Sardar Sarovar Narmada Nigam Limited.

⁴⁴ Prepared based on information received from SPSUs/ previous Audit Reports (PSUs)/ latest finalised financial statements received from SPSUs.

Table 2.11: Year wise details of GoG investment and its present value until 2017-18

(₹ in crore)

Financial year	PV of investment at the beginning of year	During the year			Average interest rate on GoG borrowings (in per cent)	Total Investment at the end of year	PV of investment at end of year	Minimum expected return to recover cost of funds for the year ⁴⁵	Total Earnings for the year ⁴⁶
		Equity infused by GoG ⁴⁷	Net IFL infused by GoG	Total Investment					
1	2	3	4	5=3+4	6	7=2+5	8=7+(7×6)÷100	9={7×6}÷100	10
Up to 2004-05		13,906.88	21.15	13,928.03	9.08	13,928.03	15,192.70	-	-
2005-06	15,192.70	1,495.83	0.05	1,495.88	8.06	16,688.58	18,033.67	1,345.10	271.78
2006-07	18,033.67	2,564.69	1.76	2,566.45	8.19	20,600.13	22,287.28	1,687.15	70.18
2007-08	22,287.28	2,406.62	-0.43	2,406.19	8.12	24,693.47	26,698.58	2,005.11	609.91
2008-09	26,698.58	5,404.24	0.72	5,404.96	7.80	32,103.54	34,607.62	2,504.08	535.61
2009-10	34,607.62	2,228.59	30.85	2,259.44	7.64	36,867.06	39,683.70	2,816.64	417.33
2010-11	39,683.70	2,218.76	512.96	2,731.72	7.56	42,415.42	45,622.03	3,206.61	723.49
2011-12	45,622.03	3,306.22	145.79	3,452.01	7.63	49,074.04	52,818.39	3,744.35	1,042.24
2012-13	52,818.39	6,020.18	6.38	6,026.56	7.66	58,844.95	63,352.47	4,507.52	1,305.43
2013-14	63,352.47	5,170.72	30.45	5,201.17	7.62	68,553.64	73,777.43	5,223.79	596.56
2014-15	73,777.43	4,829.37	333.35	5,162.72	7.76	78,940.15	85,065.91	6,125.76	455.56
2015-16	85,065.91	4,664.38	323.82	4,988.20	7.69	90,054.11	96,979.27	6,925.16	-1,506.18
2016-17	96,979.27	5,729.96	-84.3	5,645.66	7.67	1,02,624.93	1,10,496.26	7,871.33	-16,963.20
2017-18	1,10,496.26	5,853.65	41.25	5,894.90	7.59	1,16,391.16	1,25,225.25	8,834.09	-2,167.41
Total		65,800.10	1,363.80	67,163.90					

Source: Compiled based on information, latest finalised financial statements and annual reports received from SPSUs.

The balance of investment by GoG in these SPSUs at the end of the year increased to ₹ 67,163.90 crore in 2017-18 from ₹ 13,928.03 crore in 2004-05 as GoG further invested equity (₹ 51,893.22 crore) and IFLs (₹ 1,342.65 crore) during the period from 2005-06 to 2017-18. The PV of funds infused by GoG up to 31 March 2018 amounted to ₹ 1,25,225.25 crore. During the period from 2005-06 to 2017-18, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these SPSUs as four⁴⁸ SPSUs incurred substantial losses during this period. Further, the profits earned by Gujarat Mineral Development Corporation Limited and Gujarat Gas Limited during the period from 2005-06 to 2017-18 were also set off towards the losses incurred by the four SPSUs due to which the total earnings remained below minimum expected return from all SPSUs.

A further analysis of the two profit making SPSUs viz. Gujarat Mineral Development Corporation Limited and Gujarat Gas Limited revealed that the SPSUs could report profits because of their substantial market share in their respective business segments.

2.16 GoG received return on investments in these SPSUs during 2013-14 and 2014-15. The sector wise comparison of return on GoG investment at historical cost and at PV for these years is given in **Table 2.12** below:

⁴⁵ Present value of Total investment at the end of the year less Total investment at the end of the year.

⁴⁶ Total earning for the year depicts total of net earnings for the concerned year relating to those 56 SPSUs where funds were infused by GoG. In case where annual financial statements of any SPSU was pending during any year then net earnings for that year has been taken as per latest audited financial statement of concerned SPSU.

⁴⁷ The amount of equity includes the share application money of GoG for equity investment.

⁴⁸ Gujarat State Petroleum Corporation Limited, Sardar Sarovar Narmada Nigam Limited, Gujarat State Financial Corporation and Gujarat State Road Transport Corporation.

Table 2.12: Return on GoG Funds

(₹ in crore)

Year/ Sector	Total Earnings/ (Losses)	Investment of GoG in Equity and IFLs	Return on GoG investment at historical value (in per cent)	PV of GoG investment at end of year	Return on PV of GoG investment (in per cent)
1	2	3	4= (2÷3×100)	5	6=(2÷5×100)
2013-14					
Social	40.30	1,292.33	3.12	1,581.91	2.55
Competitive	552.89	2,124.57	26.02	3,587.02	15.41
Others	3.37	42,055.52	0.01	68,608.50	0.01
Total	596.56	45,472.42	1.31	73,777.43	0.81
2014-15					
Social	90.30	1,605.49	5.62	2,042.13	4.42
Competitive	671.38	2,665.01	25.19	4,447.75	15.09
Others	(306.12)	46,364.64	(0.66)	78,576.03	(0.39)
Total	455.56	50,635.14	0.90	85,065.91	0.54
2015-16					
Social	117.22	2,064.34	5.68	2,693.39	4.35
Competitive	(720.03)	3,029.44	(23.77)	5,182.23	(13.89)
Others	(903.37)	50,529.56	(1.79)	89,103.73	(1.01)
Total	(1,506.18)	55,623.34	(2.71)	96,979.35	(1.55)
2016-17					
Social	115.94	2,246.46	5.16	3,096.06	3.74
Competitive	(16,069.43)	3,560.54	(451.32)	6,151.55	(261.23)
Others	(1,009.71)	55,462.00	(1.82)	1,01,248.75	(1.00)
Total	(16,963.20)	61,269.00	(27.69)	1,10,496.36	(15.35)
2017-18					
Social	(24.46)	2,566.06	(0.95)	3,674.81	(0.67)
Competitive	(1,149.94)	4,134.37	(27.81)	7,235.83	(15.89)
Others	(993.01)	60,463.47	(1.64)	1,14,314.61	(0.87)
Total	(2,167.41)	67,163.90	(3.23)	1,25,225.25	(1.73)

Source: Figures in column 2 is as per latest finalised financial statement and figure in column 3 is as per information received from SPSUs for respective years.

The return earned on GoG investment on historical cost basis was 1.31 per cent in 2013-14, which declined to 0.90 per cent in 2014-15 whereas the return earned on GoG investment considering the PV of investments were 0.81 per cent and 0.54 per cent during the same period. Further, during the period, the return from competitive sector on PV was worked out at 15.41 per cent and 15.09 per cent in 2013-14 and 2014-15 against 26.02 per cent and 25.19 per cent respectively based on historical cost of investment.

Performance of SPSUs with investment of GoG

Analysis of net worth of active SPSUs

2.17 Net worth means the aggregate value of the paid-up share capital, all reserves created out of profits and securities premium account after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written-off as per the audited financial

statements but does not include reserves created out of revaluation of assets and write-back of depreciation and amalgamation. The capital investment⁴⁹ and losses of the 80 SPSUs as per their latest finalised financial statements was ₹ 71,878.84 crore and ₹ 14,287.46 crore respectively resulting in net worth of ₹ 57,591.38 crore as detailed in **Annexure 6**. A further analysis revealed that the erosion in net worth occurred in 17⁵⁰ SPSUs out of total 80 SPSUs. The accumulated losses of these 17 SPSUs were ₹ 22,900.13 crore as against their paid up capital and free reserves of ₹ 10,231.79 crore. The major erosion was in Gujarat State Petroleum Corporation Limited (₹ 8,200.95 crore), Gujarat State Financial Corporation (₹ 2,388.22 crore), Gujarat State Road Transport Corporation (₹ 881.43 crore) and Alcock Ashdown (Gujarat) Limited (₹ 485.86 crore).

The **Table 2.13** further indicates the total paid up capital, total accumulated profit/ loss and total net worth of the 56 SPSUs where the GoG has made direct investment:

Table 2.13: Net worth of SPSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Paid up capital at the end of year		Free Reserves	Accumulated Profit/(Loss) at end of the year	Net worth
	Number	Equity			
2013-14	55	35,937.43	9,440.93	(522.93)	44,855.43
2014-15	51	44,019.59	9,537.09	(3,198.45)	50,358.23
2015-16	53	47,683.77	10,011.75	(4,055.10)	53,640.42
2016-17	56	51,827.22	10,451.69	(20,848.16)	41,430.75
2017-18	56	59,249.74	10,413.21	(20,401.85)	49,261.10

Source: As reported in latest finalised financial statements received from SPSUs.

It can be seen from **Table 2.13** that net worth of the SPSUs varied between ₹ 53,640.42 crore and ₹ 41,430.75 crore. Out of 56 SPSUs, in 2016-17 net worth was eroded in eight⁵¹ SPSUs. The major erosion was in Gujarat State Petroleum Corporation Limited (₹ 9,344.60 crore), Gujarat State Financial Corporation (₹ 2,272.70 crore), Gujarat State Road Transport Corporation (₹ 975.56 crore) and Alcock Ashdown (Gujarat) Limited (₹ 444.97 crore). During 2017-18, the net worth improved to ₹ 49,261.10 crore from ₹ 41,430.75 crore during 2016-17 due to decrease in accumulated losses of the SPSUs.

Dividend Pay-out

2.18 GoG had not formulated any dividend policy under which all SPSUs are required to pay a minimum return on paid-up share capital invested by GoG. Dividend payout relating to 56 SPSUs where GoG invested equity is shown in **Table 2.14** below:

⁴⁹ Capital investment=Paid-up capital+ Free Reserves.

⁵⁰ Sl. No. 3, 5, 23, 24, 25, 33, 34, 35, 37, 53, 55, 57, 58, 60, 61, 62 and 72 of **Annexure 6**.

⁵¹ Sl. No. 3, 5, 25, 33, 34, 53, 55 and 72 of **Annexure 6**.

Table 2.14: Dividend pay-out of SPSUs during 2013-14 to 2017-18*(₹ in crore)*

Year	Paid up capital at the end of the year		SPSUs that earned profit in the year		Dividend declared/ paid SPSUs during the year		Dividend Pay-out Ratio (in per cent)
	No.	Equity	No.	Equity	No.	Dividend	
1	2	3	4	5	6	7	8=(7÷5)×100
2013-14	55	35,937.43	29	2,882.44	4 ⁵²	74.12	2.57
2014-15	51	44,019.59	31	3,222.33	5 ⁵³	8.65	0.27
2015-16	53	47,683.77	25	3,130.80	6 ⁵⁴	94.21	3.01
2016-17	56	51,827.22	19	5,381.31	5 ⁵⁵	83.22	1.55
2017-18	56	59,249.74	10	1,638.28	5 ⁵⁶	97.89	5.97

Source: Compiled based on latest finalised financial statements received in respective year.

During the period 2013-14 to 2017-18, the number of SPSUs which earned profits ranged between 10 and 31 SPSUs. During this period, number of SPSUs which declared/ paid dividend to GoG ranged between four and six SPSUs. The dividend payout ratio during 2013-14 to 2017-18 ranged between 0.27 and 5.97 per cent only.

GoG may consider formulating a dividend policy for payment of reasonable return from profit earning SPSUs on paid up share capital invested by GoG.

Return on equity

2.19 Return on equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' fund to earn profit, is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' fund and is expressed as a percentage and can be calculated for any SPSUs if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a Company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the Company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

⁵² Gujarat Mineral Development Corporation Limited, Gujarat Agro Industries Corporation Limited, Gujarat Informatics Limited and Gujarat Rural Industries Marketing Corporation Limited.

⁵³ Gujarat State Seeds Corporation Limited, Gujarat Gas Limited, Tourism Corporation of Gujarat Limited, Gujarat Agro Industries Corporation Limited and Gujarat State Warehousing Corporation.

⁵⁴ Gujarat State Seeds Corporation Limited, Gujarat Gas Limited, Tourism Corporation of Gujarat Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Financial Services Limited and Gujarat Agro Industries Corporation Limited.

⁵⁵ Gujarat State Seeds Corporation Limited, Tourism Corporation of Gujarat Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Financial Services Limited and Gujarat State Civil Supplies Corporation Limited.

⁵⁶ Gujarat State Seeds Corporation Limited, Gujarat Gas Limited, Tourism Corporation of Gujarat Limited, Gujarat Mineral Development Corporation Limited and Gujarat State Financial Services Limited.

RoE has been computed in respect of 56 SPSUs where GoG has invested in their equity. The details of Shareholders fund and RoE relating to 56 SPSUs during the period from 2013-14 to 2017-18 are given in **Table 2.15** below:

Table 2.15 Return on equity of SPSUs with investment of GoG in equity

Year	Net Income/ (loss) (₹ in crore)	Shareholders' fund (₹ in crore)	RoE (in per cent)
1	2	3	4=(2÷3×100)
2013-14	596.55	44,855.43	1.33
2014-15	455.56	50,358.23	0.90
2015-16	(1,506.18)	53,640.42	-
2016-17	(16,963.20)	41,430.75	-
2017-18	(2,167.41)	49,261.10	-

Source: Compiled based on latest finalised financial statements received in respective year.

During last five years ended 31 March 2018, RoE was 1.33 and 0.90 *per cent* during 2013-14 and 2014-15 respectively as net income was reported during these two years. Since the net loss was reported in these SPSUs during 2015-16, 2016-17 and 2017-18, RoE in respect of these SPSUs could not be worked out for this period.

Return on capital employed in active SPSUs

2.20 Return on capital employed (RoCE) is the ratio that measures a Company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) by the capital employed. The details of RoCE of active SPSUs during the period from 2013-14 to 2017-18 are given in **Table 2.16** below:

Table 2.16: Return on Capital Employed of active SPSUs

Year	EBIT (₹ in crore)	Capital employed ⁵⁷ (₹ in crore)	RoCE (in per cent)
1	2	3	4=(2÷3×100)
2013-14	4,193.14	84,538.88	4.96
2014-15	4,911.86	94,827.91	5.18
2015-16	3,173.29	1,04,883.10	3.03
2016-17	(11,383.09)	98,941.94	-
2017-18	4,098.41	95,504.00	4.29

Source: Latest finalised financial statements of SPSUs.

The RoCE of SPSUs ranged between 3.03 and 5.18 *per cent* during the period 2013-14 to 2017-18. During 2016-17 there was no profit after tax hence RoCE was shown as Nil.

Analysis of long-term loans of active SPSUs

2.21 Analysis of the long-term loans of the active SPSUs which had leverage during the period from 2013-14 to 2017-18 was carried out to assess the ability of the SPSUs to service the debt owned by the SPSUs to the

⁵⁷ Capital employed= Paid up capital - share application money pending allotment + accumulated profit/loss + free reserves + long-term outstanding.

Government, banks and other financial institutions. This has been assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

2.22 Interest coverage ratio determines the ability of a SPSU to pay interest on outstanding debt and is calculated by dividing the Company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the SPSU to pay interest on debt. Interest coverage ratio below one indicates that the Company is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period 2013-14 to 2017-18 are given in **Table 2.17** below:

Table 2.17: Interest Coverage Ratio of active SPSUs

Year	Interest (₹ in crore)	Earnings before interest and tax (₹ in crore)	Number of SPSUs having liability of loans from Government and Banks and other financial institutions	No. of SPSUs with interest coverage ratio	
				in excess of 1	less than 1
2013-14	2,292.16	3,219.15	24	14 ⁵⁸	10
2014-15	2,475.73	3,983.95	21	15 ⁵⁹	06
2015-16	2,585.56	2,536.82	23	17 ⁶⁰	06
2016-17	4,682.90	(12,183.91)	25	20 ⁶¹	05
2017-18	4,246.65	3,732.31	25	16 ⁶²	09

Source: Latest finalised financial statements received from SPSUs.

Out of the 25 active SPSUs having liability of loans from GoG as well as banks and other financial institutions during 2017-18, 16 SPSUs had interest coverage of more than one whereas nine SPSUs had interest coverage ratio below one indicating that these SPSUs could not generate sufficient revenues to service their interest expenses.

Debt-Turnover Ratio of SPSUs excluding Power sector SPSUs

2.23 During last five years, the turnover of 56 SPSUs recorded compounded annual growth of 1.87 *per cent* and compounded annual growth of debt was (6.65 *per cent*) due to which the debt turnover ratio improved from 0.90 in 2013-14 to 0.82 in 2017-18 reflecting efficient collection of dues as given in the **Table 2.18** below:

⁵⁸ Sl. No. 1, 8, 9, 10, 18, 29, 31, 33, 41, 42, 43, 44, 49 and 67 of *Annexure 6*.

⁵⁹ Sl. No. 1, 7, 8, 9, 10, 14, 18, 31, 33, 41, 42, 44, 45, 49 and 68 of *Annexure 6*.

⁶⁰ Sl. No. 1, 3, 7, 8, 9, 10, 14, 16, 18, 31, 34, 41, 42, 44, 45, 49 and 68 of *Annexure 6*.

⁶¹ Sl. No. 1, 3, 7, 8, 9, 10, 14, 16, 18, 20, 28, 34, 39, 41, 42, 43, 44, 45, 49 and 68 of *Annexure 6*.

⁶² Sl. No. 1, 3, 9, 10, 14, 16, 18, 28, 32, 39, 41, 42, 44, 45, 49 and 68 of *Annexure 6*.

Table 2.18: Debt Turnover Ratio

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and other (Banks and Financial Institutions)	27,765.68	22,600.38	26,466.09	29,747.35	25,650.60
Turnover ⁶³	30,653.79	32,281.76	28,920.56	27,903.73	31,282.40
Debt Turnover Ratio	0.90:1	0.70:1	0.91:1	1.07:1	0.82:1

Source: Latest finalised financial statements received from SPSUs.

The debt turnover ratio ranged between 0.70 and 1.07 during the period. Accumulated profits of ₹ 1,624.14 crore in 2013-14 have turned into accumulated losses of ₹ 14,287.46 crore in 2017-18 because of the impairment losses recognised by Gujarat State Petroleum Corporation Limited in 2016-17.

Winding up of inactive SPSUs

2.24 There were 18 inactive SPSUs as on 31 March 2018. Of these, eight SPSUs have commenced liquidation process. The number of inactive SPSUs at the end of each year during past five years is given in **Table 2.19** below.

Table 2.19: Inactive SPSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of Inactive SPSUs	12	13	14	14	18
No. of Inactive Corporations	-	-	-	-	-
Total	12	13	14	14	18

Source: Compiled from the information included in Audit Report (PSU), GoG of respective years and details received from SPSUs.

The inactive SPSUs are either under liquidation or have been closed/ ceased their operations. They are not contributing to the State's economy. Of the eight inactive SPSUs, four⁶⁴ inactive SPSUs are under liquidation since 1997 and liquidation process commenced in remaining four⁶⁵ SPSUs between 2002-03 and 2014-15. The investment in 18 inactive SPSUs was ₹ 265.30 crore (Capital ₹ 129.87 crore and Long-term loans ₹ 135.43 crore). Of the 18 inactive SPSUs, Gujarat Dairy Development Corporation Limited incurred an expenditure of ₹ 0.50 crore towards establishment during 2017-18. This expenditure was met from interest income (₹ 0.06 crore) received on their investments and borrowing (₹ 0.44 crore). Other 17 SPSUs did not furnish their financial statements.

The stages of closure in respect of inactive SPSUs as on 30 September 2018 are given in **Table 2.20** below.

⁶³ Turnover of active SPSUs as per the latest finalised financial statements as of 30 September 2018.

⁶⁴ Gujarat State Textile Corporation Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

⁶⁵ Gujarat Leather Industries Limited, Gujarat Communications and Electronics Limited, Gujarat Small Industries Corporation Limited and GSFS Capital and Securities Limited.

Table 2.20: Closure of SPSUs

Sl. No.	Particulars	SPSUs	Total
1.	Total number of inactive SPSUs	18	18
2.	Of (1.) above, the number of SPSUs under:		
	(a) Liquidation by Court (liquidator appointed)	6	6
	(b) Voluntary winding up (liquidator appointed)	2 ⁶⁶	2
	(c) Closure, i.e., closing orders/ instructions issued by the GoG but liquidation process not yet commenced.	10	10

Source: Compiled from details received from inactive SPSUs and latest information received in for SPSUs under liquidation.

The winding up of eight SPSUs under the Court order are under liquidation for periods ranging from one to 21 years. The Government may take appropriate decision in respect of remaining ten inactive SPSUs.

Comments on financial statements

2.25 Fifty active SPSUs forwarded their 61⁶⁷ audited financial statements for audit during the period from October 2017 to September 2018. Of the 61 financial statements of 50 SPSUs, 43 financial statements were selected for supplementary audit. The comments in the Audit Report of Statutory Auditors appointed by the C&AG and the supplementary audit of the C&AG mention the significant observations on the financial statements. These observations indicate the quality of financial statements and highlight the areas, which needs improvement. The details of aggregate money value of opinion of Statutory Auditors and comments of the C&AG for the last three years are given in **Table 2.21** below.

Table 2.21: Impact of audit comments on financial Statements of active SPSUs*(₹ in crore)*

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of FSs	Amount	No. of FSs	Amount	No. of FSs	Amount
1.	Decrease in profit	7	312.43	7	190.61	4	129.77
2.	Increase in profit	1	0.39	4	9.64	3	2.11
3.	Increase in loss	2	1,070.18	-	-	7	164.65
4.	Decrease in loss	1	1.13	1	2.95	-	-
5.	Non-disclosure of material facts	1	130.54	1	36.35	6	169.97
6.	Errors of classification	6	29,721.92	8	424.75	3	87.40
Total		18	31,236.59	21	664.30	23	553.90

Source: Compiled from of the Independent Auditors Report and Comments of C&AG issued to SPSUs.

The aggregate money value of Statutory Auditors' opinion and C&AG's comments during the year 2017-18 was ₹ 553.90 crore.

During the period from October 2017 to September 2018, the Statutory Auditors had given unqualified opinion for 48 financial statements and

⁶⁶ Gujarat Small Industries Corporation Limited and GSFS Capital and Securities Limited.

⁶⁷ Excluded annual financial statements of Diamond Research and Mercantile City Limited as its entrustment was received from 2018-19.

qualified opinion for 13 financial statements. The compliance of SPSUs with the Accounting Standards/ IND AS remained deficient, as there were 29 instances of non-compliance in 16 financial statements during the period October 2017 to September 2018.

2.26 Similarly, out of four active Statutory Corporations, two⁶⁸ Corporations forwarded their financial statements for audit during the period from October 2017 to September 2018. Of these, financial statements of Gujarat State Road Transport Corporation is subject to sole audit by the C&AG, which was completed and Gujarat State Financial Corporation was selected for supplementary audit. The Audit Report of Statutory Auditors and the sole/supplementary audit of the C&AG mention the significant observations on the financial statements of the Statutory Corporations. These indicate the quality of financial statements and highlight the areas, which need improvement. The details of aggregate money value of opinion of Statutory Auditors and the comments of C&AG are given **Table 2.22** below.

Table 2.22: Impact of audit comments on the financial statements of Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of FSs	Amount	No. of FSs	Amount	No. of FSs	Amount
1.	Decrease in profit	1	0.75	2	28.75	-	-
2.	Increase in profit	1	0.03	1	0.74	-	-
3.	Increase in loss	1	520.83	1	682.68	1	599.89
4.	Decrease in loss	1	11.73	-	-	-	-
5.	Non-disclosure of material facts	2	1,659.52	1	0.09	1	1,180.98
6.	Errors of classification	1	220.59	1	189.25	2	525.11
	Total	7	2,413.45	6	901.51	4	2,305.98

Source: Compiled from the opinion of Independent Auditors Report and Comments of C&AG issued to Statutory Corporations.

The aggregate money value of Statutory Auditors' comments and C&AG's comments during the year 2017-18 was ₹ 2,305.98 crore. We observed that the increase in non-disclosure was attributable to non-disclosure of contingent liability of ₹ 1,180.98 crore towards demand for income tax in respect of Gujarat Industrial Development Corporation.

During the period, Statutory Auditor expressed qualified opinion on financial statements of Gujarat State Financial Corporation.

Performance audit Paragraph

2.27 The Report of C&AG of India for the year ended 31 March 2018 included one Performance Audit (PA) Report paragraph in respect of SPSU, which was issued to the Management of SPSU and the Additional Chief Secretaries/ Principal Secretaries of the respective Department with request to furnish their replies within six weeks.

⁶⁸ Gujarat State Road Transport Corporation and Gujarat State Financial Corporation.

Follow-up action on Audit Reports

Replies outstanding

2.28 The Report of the C&AG of India represents the culmination of the process of audit scrutiny. It is therefore, necessary that they elicit appropriate and timely response from the executive. All the administrative departments of SPSUs need to submit, within three months of their presentation to the Legislature, the explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on compliance audit (CA) paragraphs and Performance Audits (PAs) included in the Audit Reports.

Table 2.23: Explanatory notes not received as on 31 July 2019

Year of Audit Report (PSU)	Date of placement of Audit Report in the State Legislature	Total PAs and CA Paragraphs in the Audit Report		Number of PAs/ CA Paragraphs for which explanatory notes not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	31 March 2015	3	7	1	3
2016-17	19 September 2018	1	8	1	5
Total		4	15	2	8

Source: Compiled based on explanatory notes received from respective Departments of GoG.

From the above, it could be seen that out of 19 CA paragraphs/ Performance Audits, explanatory notes to 10 CA paragraphs/ Performance Audits in respect of five⁶⁹ Departments were awaited (July 2019).

Discussion of Audit Reports by Committee on Public Undertakings

2.29 The status as on 30 September 2018 of PAs and CA Paragraphs that appeared in Audit Reports (PSUs) and discussed by Committee on Public Undertakings (COPU) was as under.

Table 2.24: PAs/ CA Paragraphs included in Audit Reports vis-à-vis discussed as on 30 September 2018

Period of Audit Report	Number of Performance Audits/ Compliance Audit paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-14	3	7	2	4
2014-15	2	5	2	3
2015-16	-	6	-	-
2016-17	1	8	-	-
Total	6	26	4	7

Source: Compiled based on the discussions of COPU on the Audit Reports.

Compliance to Reports of Committee on Public Undertakings

2.30 Action Taken Notes (ATNs) for two recommendations made on two CA paragraphs, which pertained to two Reports of the COPU was presented to

⁶⁹ (i) Health and Family Welfare Department, (ii) Industries and Mines Department, (iii) Port and Transport Department, (iv) Agriculture, Farmers Welfare and Co-operation Department, (v) Narmada Water Resources, Water Supply and Kalpsar Department.

the State Legislature in March 2017 had not been received (September 2018) as indicated below:

Table 2.25: Compliance to COPU Reports

Report of COPU	Total number of recommendations in COPU Report	Number of recommendations for which ATNs not received
10 th Report of 13 th Assembly	2	1
12 th Report of 13 th Assembly	1	1
Total	3	2

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoG.

The reports of COPU for which ATNs were not received, contained recommendations in respect of CA paragraphs pertaining to two⁷⁰ Departments, which appeared in the Reports of the C&AG of India for the year 2006-07 and 2008-09.

It is recommended that GoG may ensure that replies to Explanatory Notes/ Draft Compliance Audit Paragraphs/ Performance audits and ATNs on the recommendations of COPU are forwarded as per prescribed time schedule.

⁷⁰ Narmada, Water Resources, Water Supply and Kalpsar Department and Forest and Environment Department.